

Message Text

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PAGE 01 BONN 04803 01 OF 02 171710Z
ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01
INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 SP-02 LAB-04
SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01 L-03 /095 W
-----171815Z 084820 /46

R 171655Z MAR 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC 6586
DEPARTMENT TREASURY
INFO USMISSION OECD PARIS
USMISSION EC BRUSSELS

UNCLAS SECTION 01 OF 02 BONN 04803

DEPARTMENT PASS FEDERAL RESERVE

E.O. 11652: N/A
TAGS: EFIN, GW
SUBJECT: GERMAN BALANCE OF PAYMENTS IN 1976

REF.: CERP 0102 AND BONN 2840

1. IN ITS MARCH MONTHLY REPORT THE BUNDESBANK PUBLISHED
REVISED 1976 BALANCE OF PAYMENTS (B/P) DATA FOR THE
FRG. THE REVISIONS INCLUDE REDUCING THE 1976 CURRENT
ACCOUNT SURPLUS FROM THE PREVIOUSLY RECORDED DM 8.5
BILLION (SEE BONN 2840) TO DM 7.5 BILLION. IN
COMMENTING ON GERMAN B/P DEVELOPMENTS THE BUNDESBANK
PARTICULARLY EMPHASIZES THE DECLINE IN GERMANY'S
CURRENT ACCOUNT SURPLUS FROM DM 25.1 BILLION IN 1974 TO
DM 9.4 BILLION IN 1975 AND THEN DM 7.5 BILLION IN 1976,
AND STRESSES THAT THE 1976 FIGURE AMOUNTS ONLY TO 0.7
PERCENT OF THE FRG'S 1976 NOMINAL GNP. THE BANK CON-
CLUDES IN THIS REGARD THAT IN 1976 THE FRG WAS NEAR
EXTERNAL EQUILIBRIUM, AND THAT FEW INDUSTRIAL COUNTRIES
HAVE COME AS NEAR TO CURRENT ACCOUNT EQUILIBRIUM AS
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PAGE 02 BONN 04803 01 OF 02 171710Z

THE FRG - SEE TABLE AT END.

2. THE BUNDESBANK ATTRIBUTES THE DECLINE IN THE FRG
CURRENT ACCOUNT SURPLUS TO THE FACT THAT IN 1976 THE
CYCLICAL RECOVERY IN THE FRG WAS SOMEWHAT AHEAD OF THAT
IN OTHER MAJOR COUNTRIES, AND TO THE SUBSTANTIALLY
HIGHER VALUATION OF THE DEUTSCHEMARK. WITH REGARD TO

THE MINOR DECLINE IN GERMANY'S INVISIBLES DEFICIT IN 1976 (THE FIRST DECLINE IN YEARS) THE BUNDESBANK POINTS OUT THAT THE FRG IS STILL THE WORLD'S LARGEST NET IMPORTER OF "INVISIBLES", AND THAT MORE THAN 4/5THS OF GERMANY'S TRADE SURPLUS WAS OFFSET BY SERVICES AND TRANSFERS DERFICITS. THUS, THE BUNDES-BANK STATES, IT WOULD BE MISLEADING TO BASE AN ANALYSIS OF GERMANY'S POSITION IN AND IMPACT ON THE WORLD ECONOMY ONLY ON TRADE BALANCES, OR ON COMBINED TRADE AND SERVICE BALANCES. IN THE BUNDESBANK'S VIEW IT IS MORE NECESSARY FOR THE FRG THAN FOR ANY OTHER INDUSTRIAL COUNTRY TO ACHIEVE TRADE SUPLUSES IN ORDER TO FINANCE ITS SERVICES AND TRANSFER DEFICITS. THE BUNDESBANK REGRETS THAT FOREIGN PRESENTATIONS OF GERMAN B/P DEVELOPMENTS DO NOT ALWAYS TAKE THIS SUFFICIENTLY INTO ACCOUNT. IN ITS VIEW THIS APPLIES TO SOME EXTENT AS WELL TO THE IMF'S PRESENTATION OF THE GERMAN CURRENT ACCOUNT BALANCE WHICH IN ITS ANNUAL REPORT, FOR EXAMPLE, DOES NOT INCLUDE GERMAN OFFICIAL TRANSFERS IN THE CURRENT ACCOUNT AND THUS OVERSTATES THE GERMAN CURRENT ACCOUNT SURPLUS. (THE BUNDESBANK RECORDED 1976 GERMAN OFFICIAL TRANSFERS OF DM 9.4 BILLION OF WHICH DM 3.7 BILLION WERE NET PAYMENTS TO THE EC.)

3. WITH REGARD TO THE REGIONAL DISTRIBUTION OF GERMAN TRADE, THE BUNDESBANK POINTS OUT THAT GERMANY'S SURPLUS IN TRADE WITH FRANCE, ITALY AND THE U.K. INCREASED IN 1976 BY ABOUT DM 5.5 BILLION (FRANCE PLUS DM 4 BILLION, U.K. PLUS DM 0.5 BILLION AND ITALY PLUS DM 1.1 BILLION).
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PAGE 03 BONN 04803 01 OF 02 171710Z

HOWEVER, THE SURPLUS ACHIEVED IN TRADE WITH ALL OTHER COUNTRIES DECLINED BY ABOUT DM 8.5 BILLION. ACCORDING TO THE BUNDESBANK, THIS SHOWS A CONTINUATION OF THE BASIC TREND FOR DECLINING GERMAN TRADE SURPLUSES. THE BUNDESBANK EXPECTS THAT IT WILL CONTINUE TO DECLINE PROVIDED THE THREE COUNTRIES MENTIONED ABOVE ACHIEVE BETTER EQUILIBRIUM AT HOME.

4. THE ATTACHED TABLE GIVES B/P DATA AS PUBLISHED BY THE BUNDESBANK. IMPORTS ARE FOR THE FIRST TIME RECORDED ON AN F.O.B. BASIS, AND SHORT-TERM TRADE CREDITS ARE INCLUDED IN SHORT-TERM CAPITAL TRANSACTIONS OF PRIVATE NON-BANKS, I.E., THEY ARE NO LONGER SHOWN UNDER ERRORS AND OMISSIONS. REVISED DATA FOR THE YEARS 1974 AND 1975 ARE ALSO ATTACHED.

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PAGE 01 BONN 04803 02 OF 02 171710Z
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UNCLAS SECTION 02 OF 02 BONN 04803

BALANCE OF PAYMENTS OF THE FEDERAL REPUBLIC OF GERMANY

(IN MILLIONS OF DM)

1974 1975 1976

EXPORTS F.O.B.	230,578	221,589	256,173
IMPORTS F.O.B.	171,888	177,071	214,496
TRADE BALANCE	58,690	44,518	41,677
SUPPLEMENTARY TRADE ITEMS	-1,263	-1,187	-520
TRADE BALANCE (INCLUDING SUPPLEMENTARY ITEMS)	57,427	43,331	41,157
SERVICES	-15,944	-16,462	-15,977
UNILATERAL TRANSFERS	-16,353	-17,489	-17,667
BALANCE OF INVISIBLES	-32,297	-33,951	-33,644
CURRENT ACCOUNT BALANCE	25,130	9,378	7,514
PRIVATE LONG-TERM CAPITAL			
DIRECT INVESTMENT	1,636	-1,850	-2,181

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PAGE 02 BONN 04803 02 OF 02 171710Z

OF WHICH:

GERMAN INVESTMENT
 ABROAD -4,959 -4,940 -6,033
 FOREIGN INVESTMENT
 IN GERMANY 6,595 3,090 3,852
 PORTFOLIO INVESTMENT -3,616 -4,200 3,851
 CREDITS AND LOANS -2,425 -11,400 -3,691
 OTHER -499 -542 -557
 OFFICIAL -877 1,162 2,392
 BALANCE OF LONG-TERM
 CAPITAL -5,782 -16,831 -187
 SHORT-TERM CAPITAL
 COMMERCIAL BANKS -9,733 -2,262 6,731
 PRIVATE NON-BANKS -9,289 6,208 -5,130
 OFFICIAL -31 689 -520
 UNRECORDED TRANSACTIONS -2,201 599 382
 BALANCE OF SHORT-TERM
 CAPITAL -21,254 5,234 1,463
 DM REVALUATION LOSS/
 DEVALUATION PROFIT -7,231 5,480 -7,489
 NET FOREIGN POSITION OF
 BUNDESBANK -9,137 3,261 1,301

CURRENT ACCOUNT BALANCES IN PERCENT OF
 NOMINAL GNP 1/

1974 1975 1976 2/
 --- --- ---

FRG 2.5 0.9 0.7
 FRANCE -2.3 -0.0 -1.8
 U.K. -4.0 -1.5 -1.2
 ITALY -5.4 -0.4 -2.0
 NETHERLANDS 2.9 2.1 2.3
 SWITZERLAND 0.3 4.6 5.0
 JAPAN -1.1 -0.1 0.7
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PAGE 03 BONN 04803 02 OF 02 171710Z

U.S. -0.3 0.8 -0.1

1/ COMBINED TRADE AND SERVICES BALANCES AND PRIVATE
 AND OFFICIAL TRANSFERS; CURRENT ACCOUNT DEFICITS:
 MINUS.

2/ FOR SOME COUNTRIES ESTIMATED.
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